College
Pension Plan

2007 ANNUAL REPORT

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2007
ANNUAL REPORT

September 1, 2006 to August 31, 2007

Library and Archives Canada Cataloguing in Publication Data

College Pension Plan (B.C.)
Annual report. — 2000 –

Annual.
Running title: College Pension Plan annual report.
Continues: College Pension Plan annual report. ISSN 1198-2330.
ISSN 1499-1764 = Annual report - College Pension Plan (Victoria)

1. College Pension Plan (B.C.) - Periodicals. 2. College teachers - Pensions - British Columbia - Statistics - Periodicals. I. British Columbia Pension Corporation. II. Title. III. Title: College Pension Plan annual report.

LB2335.C3C64 331.25'2913781'2'0971105 C2001-960207-3

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Message from the Trustees

The College Pension Board of Trustees is pleased to present our annual report for the fiscal year ending August 31, 2007.

The College Pension Plan is a very healthy plan, and the board of trustees works in a number of ways to maintain that health. The board meets regularly to review and discuss investments and plan rules, and recently completed negotiations with the BC Pension Corporation for a five-year service delivery plan. Conducting an actuarial report every three years, and making decisions resulting from that report, is the most important way we manage the financial health of the plan.

In 2007, the College Pension Board of Trustees received the latest actuarial report, which indicated the plan has an unfunded liability of $54 million—less than 2.2 per cent of the total liabilities of the fund. To maintain the fully-funded status of the plan for many years into the future, the board was required to increase the contribution rates.

More information about the actuarial report is available in this annual report, and the entire actuarial report is available on the website.

There are many other changes to report in the College Pension Plan for our 2007 fiscal year. The online pension estimator has been enhanced to make it more user-friendly. Parts of the website have been redesigned to make it easier to find the information plan members want to know about their pensions.

Like most organizations facing the challenges of an aging and changing workforce, the board spent considerable time in 2007 working on its succession plan. The focus for this work was on designing and implementing a new governance structure that will redistribute the executive responsibilities of the board.

The board, working together with the Teachers' Pension Board of Trustees and the Public Service Pension Board of Trustees, hired an executive director, Bruce Kennedy. Bruce will manage the administrative oversight and executive advisory responsibilities for all three boards.

John Cook, the board chair since 2000, retired from his role on December 31, 2007. The trustees thank John for his many years of service to the board.

The board named Dominique Roelants and Dennis Anderson to be chair and vice chair, respectively, of the board. Starting in 2008, Dominique and Dennis will manage, organize and conduct the board meetings.

This team will provide the board and its service providers with the strong leadership required to manage the pension plan on behalf of its beneficiaries.

We continue to focus on the long-term financial health of your pension plan in order to maintain our pension promise. We also continue to strive to deliver high standards of service to plan members and employers. It is our pleasure to continue to work on your behalf.

College Pension Plan

Trustees as at August 31, 2007

John W. Cook — Chair

Trustee	Appointing Partner
Dennis Anderson	Federation of Post-Secondary Educators of BC and the B.C. Government and Service Employees' Union
Barry Bompas	Provincial Government and Post Secondary Employers' Association
Dan Bradford	B.C. Government and Service Employees' Union
Weldon Cowan	Federation of Post-Secondary Educators of BC
Michael Lancaster	Provincial Government
Paul Martin	B.C. Government and Service Employees' Union (alternate)
Karen Maynes	Provincial Government (nominated by Post Secondary Employers' Association)
Arlene Paton	Provincial Government
Dominique Roelants	Federation of Post-Secondary Educators of BC
John Wilson	Federation of Post-Secondary Educators of BC

College Pension Board of Trustees

Partners, Trustees and Agents

The College Pension Plan is jointly trusteed, with four plan partners, and is governed by a joint trust arrangement. The **College Pension Plan partners** are the B.C. Government and Service Employees' Union (BCGEU), the Federation of Post-Secondary Educators of BC (FPSE), the Post Secondary Employers' Association (PSEA) and the provincial government. The partners are responsible for appointing trustees.

The **College Pension Board of Trustees** (the board) is fully responsible for the management of the pension plan, including the investment of the assets and administration of the plan. The board may amend the pension plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the plan. Plan rule changes that result in contribution rate increases must be approved by the partners. If the actuary determines it is necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

The **British Columbia Pension Corporation** provides benefit administration services as an agent of the board. The corporation enrols members, collects contributions, processes benefits and issues pension payments.

PENSION CORPORATION

The **British Columbia Investment Management Corporation (bcIMC)** is one of Canada's largest investment managers, and administers more than $84 billion in assets. The corporation provides investment management services as an agent of the board of trustees.

bcimc Investment Management Corporation

Member Services and Communications

Communicating with plan members is a priority of the board. Guidelines have been developed to ensure all plan information is easy to understand and easy to use. By practising plain language principles and focus testing, we continue to improve the effectiveness of our communication products.

New and updated communications materials are regularly published, and new online products and services are continually being developed. The plan produces:

- annual member's benefit statements
- the annual report
- an annual *Report to Members* for active members
- *PensionFacts*—a series of fact sheets
- retirement information packages
- *After Work*—a newsletter for retired members that is published twice a year
- forms
- bulletins

In addition, our website provides excellent pension plan information and online estimators at **college.pensionsbc.ca**.

The board recognizes the above could not be accomplished without the strong team of professional staff at the Pension Corporation.

Performance Measures and Targets

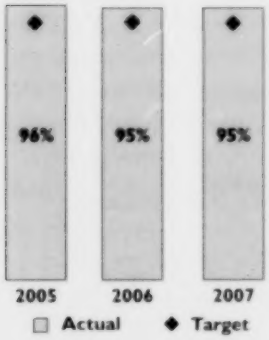
April 1, 2006 to March 31, 2007

The College Pension Plan is dedicated to providing quality and cost-effective services to plan members. Our administrative agent, the Pension Corporation, continued to make service improvements to best serve plan members. The board approves service standards for the plan, including client satisfaction and timeliness of response, and monitors performance against those standards.

Regular surveys of plan members show both active and retired members give the Pension Corporation a high satisfaction rating for service quality.

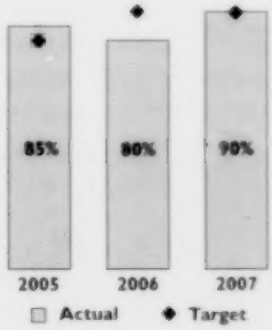
Service quality satisfaction for the year ended March 31

Recently Retired Members*



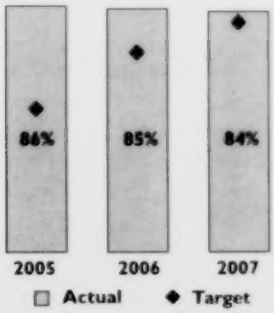
* Recently retired members were surveyed about their experience.

Longer-term Retired Members*



* Retired three or more years.

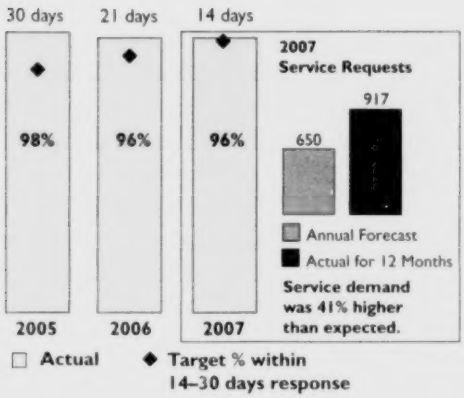
Active Members



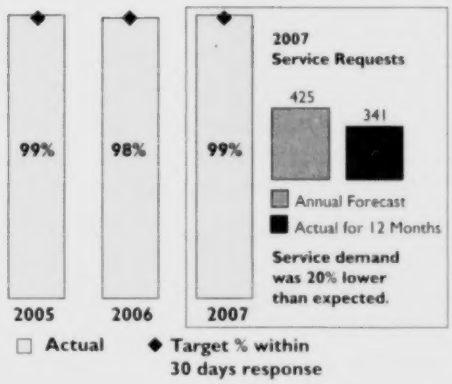
The following graphs indicate how the plan has significantly improved service response over the past three years, while also handling substantial increases in service demand.

Service for the year ended March 31

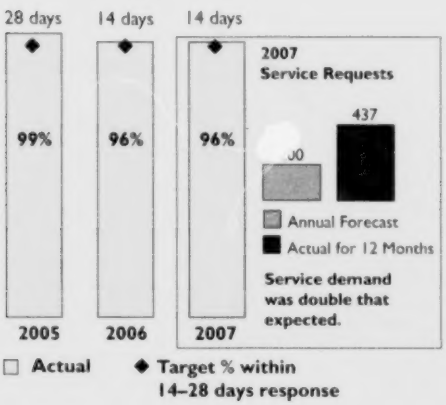
Pension Estimates on Time



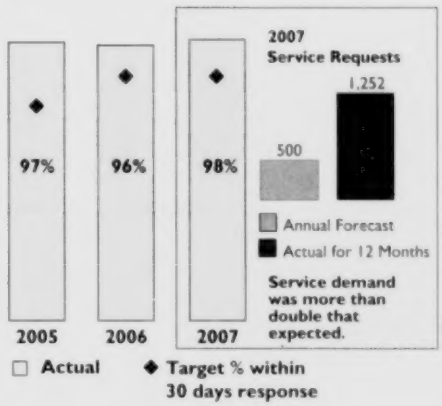
First Pension Payment on Time



Termination Options on Time



Purchase Quotes on Time



Plan Participants

Members

Members of the College Pension Plan are senior administrators and faculty members of British Columbia post-secondary institutions. For employees hired on or after September 1, 1999, all full-time and some part-time senior administrators and faculty members are required to participate; certain part-time employees may do so voluntarily.

There are three categories of members in the plan:

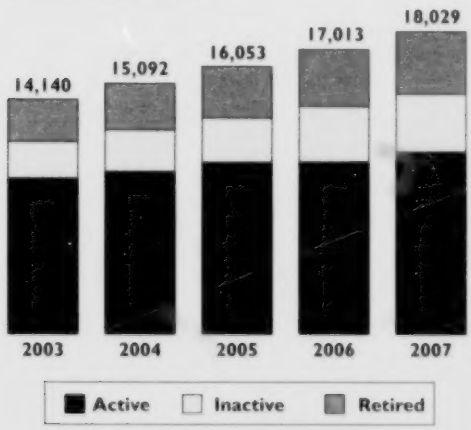
- **Active**—those who are employed with a plan employer and who are currently contributing, on an approved leave of absence, receiving benefits from an approved group disability plan, or who have already accrued 35 years of pensionable service.
- **Inactive**—those who have terminated employment, but whose contributions remain on deposit with the plan.
- **Retired**—those who are receiving a pension, including those who are receiving a disability pension.

The number of active plan members increased 5.3 per cent and the number of retired members increased 9.5 per cent from last year. The plan now serves 18,029 members, including 11,245 active plan members and 3,503 retired members.

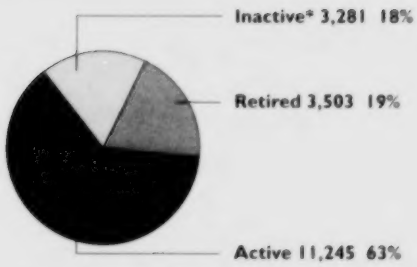
Number of Members
as at August 31, 2007

	Active	Inactive	Retired	Total
2007	**11,245**	**3,281**	**3,503**	**18,029**
2006	10,678	3,135	3,200	17,013
2005	10,651	2,512	2,890	16,053
2004	10,134	2,355	2,603	15,092
2003	9,699	2,074	2,367	14,140

Number of Members

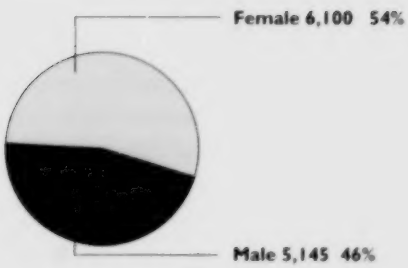


Membership Profile

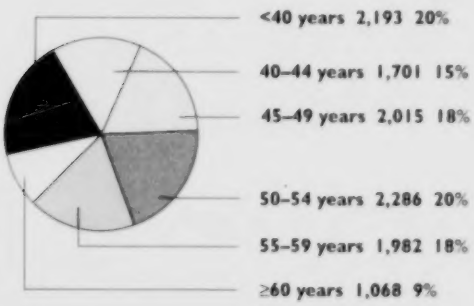


* Members no longer employed, but with money in the plan.

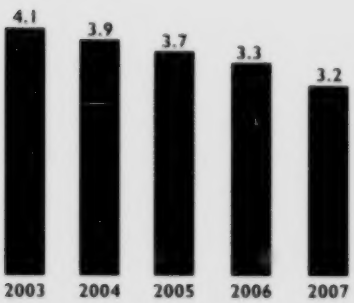
Active Member Profile



Age Profile of Active Members



Ratio of Active Members to Retired Members



Employers

as at August 31, 2007

Employer Name	Effective Date
British Columbia Institute of Technology (Burnaby)	January 12, 1978
Camosun College (Victoria)	June 1, 1971
Capilano College (North Vancouver)	September 1, 1968
College of New Caledonia (Prince George)	September 1, 1968
College of the Rockies (Cranbrook)	May 8, 1975
Douglas College (New Westminster)	April 1, 1970
Emily Carr Institute of Art and Design (Vancouver)	January 19, 1978
Institute of Indigenous Government (Vancouver)*	May 26, 1995
Justice Institute of B.C. (Vancouver)	April 27, 1978
Kwantlen University College (Surrey)	July 1, 1981
Langara College (Vancouver)	April 1, 1994
Lester B. Pearson College of the Pacific (Victoria)	January 31, 1974
Malaspina University-College (Nanaimo)	January 1, 1969
Nicola Valley Institute of Technology (Merritt)*	September 1, 1995
North Island College (Courtenay)	August 1, 1975
Northern Lights College (Dawson Creek)	September 1, 1975
Northwest Community College (Terrace)	September 1, 1975
Okanagan College (Kelowna)	July 1, 2005
Open Learning Agency (Burnaby)	June 1, 1976
Royal Roads University (Victoria)	January 1, 1998
Selkirk College (Castlegar)	September 1, 1968
Thompson Rivers University (Kamloops)	July 1, 2005
University College of the Fraser Valley (Abbotsford)	November 1, 1974
Vancouver Community College (Vancouver)	September 1, 1968

* The Institute of Indigenous Government amalgamated into the Nicola Valley Institute of Technology as of July 1, 2007.

Plan Benefits

Plan benefits are established by the pension plan rules made under the authority of the joint trust arrangement. The following is a general description of plan benefit rules.

Guaranteed Basic Pension

The College Pension Plan is a defined benefit plan. Your basic, guaranteed pension benefit is based on how many years of pensionable service you have, the average of your five highest years of salary (not necessarily your last five years) and your age at retirement. Your pension is not based on how much you contributed to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit plan is that your pension is predictable. The plan provides entitlement to a pension benefit for all plan members after having reached a qualifying age. The plan also offers survivor and disability benefits.

Members are eligible for unreduced pension benefits:

- at age 65, or
- at age 60, with at least two years of contributory service, or
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have an early retirement reduction applied to their pensions.

For members who terminate employment on or after January 1, 2002, the plan provides a benefit of 1.7 per cent of pensionable earnings, up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE), and 2 per cent of your highest average salary over the YMPE (to a maximum of 35 years) for each year of pensionable service.

If a member retires before age 65, their pension from the College Pension Plan will include a temporary monthly payment called a bridge benefit. The bridge benefit is intended to bridge the gap between income before age 65 and income after age 65, when Canada Pension Plan benefits typically begin. The bridge benefit is 0.3 per cent of the YMPE (or the member's highest average salary, if lower) for each year of pensionable service.

Indexing (non-guaranteed)

Indexing is a non-guaranteed cost-of-living supplement to the basic pension. It is paid only to the extent that there is sufficient money in the Inflation Adjustment Account (IAA), which is funded by member and employer IAA contributions to the plan.

On January 1, 2007, retired members received a full Consumer Price Index (CPI) increase of 0.7 per cent (2006: 3.4 per cent). Inflation increases to the pension may be provided each year based on changes in the CPI (See Note 7b to the financial statements). Indexing, once granted, becomes part of your guaranteed basic pension benefit. The board monitors the plan's ability to continue to provide full indexing.

Group Benefits (non-pension)

Group benefits (dental, extended health) are not a guaranteed benefit. They are subsidized by a limited portion of available annual employer contributions that would otherwise go to the IAA. The board monitors the plan's ability to continue to provide non-guaranteed group benefits.

Pensions 1998–2007

Year ended August 31

				($ Millions)		
	New Pensions during Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid	Inflation Supplements Paid	Total
2007	**333**	**30**	**3,503**	**$53.9**	**$6.9**	**$60.8**
2006	338	28	3,200	47.2	6.2	53.4
2005	308	21	2,890	40.9	5.1	46.0
2004	254	18	2,603	35.8	4.5	40.3
2003	271	23	2,367	30.7	3.8	34.5
2002	213	18	2,119	25.8	3.3	29.1
2001	144	8	1,924	23.2	2.7	25.9
2000	253	16	1,788	19.1	2.2	21.3
1999	169	6	1,551	15.4	1.9	17.3
1998	165	23	1,388	13.1	1.8	14.9

New Pensions, by Type 1998–2007

Year Ended August 31	Regular*	Death**	Disability***	Deferred	Total
2007	**246**	**5**	**12**	**70**	**333**
2006	228	5	15	90	338
2005	233	9	11	55	308
2004	179	2	14	59	254
2003	215	4	9	43	271
2002	175	7	7	24	213
2001	111	5	3	25	144
2000	202	6	15	30	253
1999	136	3	3	27	169
1998	122	4	7	32	165

* New pensions do not include pensions continued to a beneficiary upon the death of a retired member.

** Pensions that result from the death of active members.

*** Primarily represents members on long-term disability who became eligible for a regular pension.

Average Value of New Regular Pensions—September 1, 2006 to August 31, 2007

Subdivided by years of service

Years of Service*	Number of New Regular Pensions	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 years	46	$74,000	$ 8,100	$110,000	$ 5.1
10–14	34	70,000	16,800	260,000	8.8
15–19	48	74,000	25,000	375,000	18.0
20–24	43	73,000	30,100	472,000	20.3
25–29	41	75,000	37,500	607,000	24.9
30–34	28	79,000	44,200	745,000	20.9
35 years	6	96,000	67,200	983,000	5.9
Total	246	n/a	n/a	n/a	$103.9
Average of All Pensions	n/a	$74,000	$26,900	$413,000	n/a

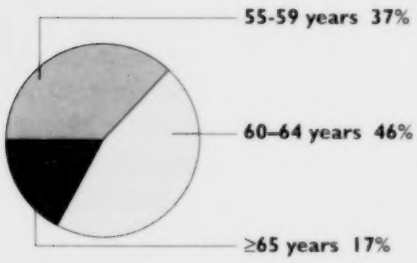
* Years of service includes service transferred from other plans.

New Regular Pensions, by Age at Retirement

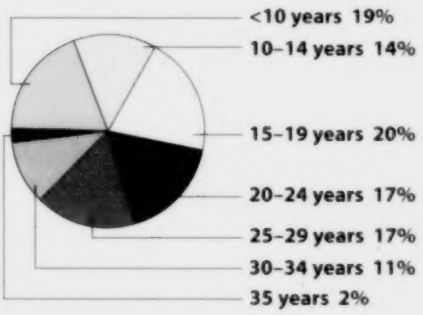
Subdivided by years of service
Year ended August 31, 2007

Years of Service	55–59	60–64	≥65	Total
<10 yrs	13	24	9	46
10–14	10	16	8	34
15–19	17	22	9	48
20–24	17	19	7	43
25–29	22	15	4	41
30–34	12	12	4	28
35	1	5	–	6
Total	92	113	41	246
Average service	21	19	17	19
Male	22	19	18	20
Female	19	17	16	18
Average age at retirement	61			

Percentage of New Regular Pensions, by Age



Percentage of New Regular Pensions, by Years of Service



Termination and Refund Benefits

A terminating member who has not yet reached the earliest retirement age may choose:

- a deferred pension (leaving their money in the plan and taking the pension later), or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or a similar tax-sheltered plan.

If a member is under 60 with less than two years of contributory service, they may also choose a refund of contributions with interest.

Interest compounds annually and is credited to the member's contribution balance. The balance (including interest) is included in the annual *Member's Benefit Statement*. This balance does not represent the true value of your pension. The rate of interest is governed by the applicable pension legislation and is based on average bank five-year personal term deposit rates (2007—2.95 per cent; 2006—2.72 per cent).

The number and value of termination benefits paid can vary from year to year, depending on the employment environment, the type of benefit paid, and the plan member's entitlement. In the year ended August 31, 2007, the number and value of termination and refund benefits paid increased compared to 2006.

Number of Termination and Refund Benefits Paid

Value of Termination and Refund Benefits Paid ($ Thousands)

Termination and refund benefits paid include refunds of contributions and commuted value payments; deferred pensions are included in pension statistics.

Transferring Service

Transfer agreements allow pension plan members to carry pension rights (pensionable and contributory service) from one plan to another. Members may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has an agreement with the College Pension Plan. Employers that allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers." In order to transfer service, the member must have left their contributions on deposit, or reinstated service. Service may not always be transferred on a one-to-one basis, but depends on differences in plan benefits. Members of the plan who have made contributions to another pension plan may want to inquire about transfer agreements.

Under the *BC Public Sector Pension Transfer Agreement* of April 1, 2004, transfers can be made between the plan and the other BC public sector plans (Municipal, Public Service, Teachers'), and other signatories. In June 2004, the board entered into the *National Public Service Pension Transfer Agreement*, which allows transfers between a number of public sector pension plans in Canada. The board no longer enters into bilateral reciprocal transfer agreements with other pension plans; any other plan wishing to establish reciprocity with the College Pension Plan should consider entering into the *National Public Service Pension Transfer Agreement*.

In the year ended August 31, 2007, there were 230 reciprocal transfers-in from other pension plans and 115 transfers-out. The transfers-in totalled $13.6 million; transfers-out totalled $3.3 million.

Purchase of Additional Service

Members of the plan may be able to increase their future pension benefits by purchasing service. Purchasing service means paying for periods of employment that have not already been counted as service with the plan. This service may include:

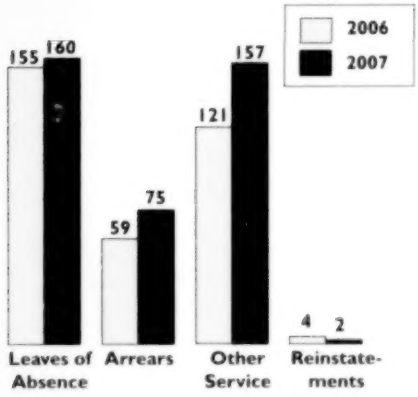
- leaves of absence (maternity, parental or other leave),
- arrears contributions (a period of time when members and employers did not make required contributions), or
- reinstatements (contributions previously refunded from the plan).

Members can only purchase periods of service that occurred during the previous five years. The member must apply to purchase prior to terminating employment with their current employer. More information about purchasing service, including costs, is available on the plan website at **college.pensionsbc.ca**.

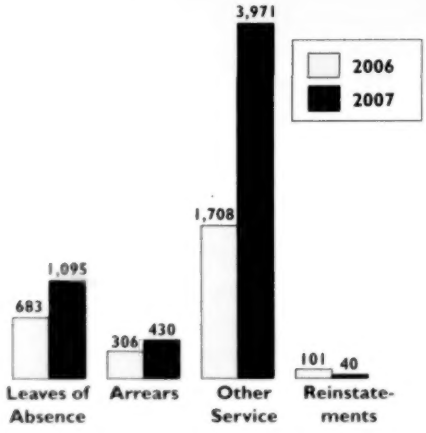
In the year ended August 31, 2007, the number of purchases of additional service increased 16 per cent from 2006. The value of the purchases increased 98 per cent.

Member and Employer Purchases of Additional Service

Number of Purchases



Value of Purchases ($ Thousands)



Contributions

Plan members contribute through automatic deductions from their salary. Both plan members and employers pay contributions to fund future pension benefits. Once a member terminates employment, retires, or reaches 35 years of pensionable service, they no longer contribute. The contribution rates in the table below are applied to pensionable salaries.

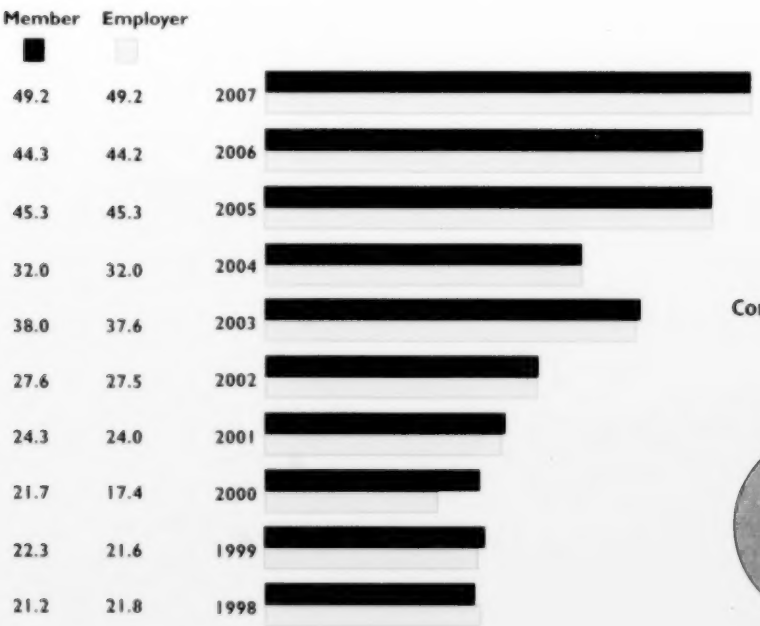
The Basic Account serves to pay the guaranteed (defined) pension benefit. The Inflation Adjustment Account (IAA) provides a non-guaranteed cost-of-living supplement to the extent that funds are available.

The rates for each of the members and employers as at August 31, 2007 were as follows:

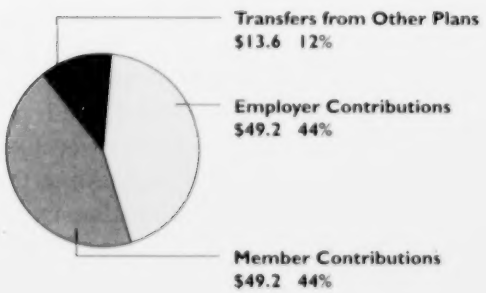
- 7.95 per cent (includes 6.86 per cent to the Basic Account, 1.09 per cent to the IAA) of pensionable salary up to and including the YMPE,* and
- 8.70 per cent (includes 7.61 per cent to the Basic Account, 1.09 per cent to the IAA) of pensionable salary for salary greater than the YMPE.*

* Year's Maximum Pensionable Earnings (YMPE) is the earnings limit on which you make Canada Pension Plan (CPP) contributions. The calendar year 2006 YMPE was $42,100, and was increased to $43,700 in 2007.

Contributions ($ Millions)



Contribution Revenue ($ Millions)



Investments

Market Review

One of the major roles of the College Pension Board of Trustees (the board), as fiduciary for the plan, is the responsibility for overseeing the investment of more than $2 billion in assets for the long-term benefit of the plan members. The most important issue for any pension plan is long-term results, and the board's goal is to achieve consistent and steady performance over the longer term, based on a disciplined approach and prudent decision-making.

The board reviews the *Statement of Investment Policies and Procedures* (SIPP) annually, approves the long-term asset mix policy for the investment of assets and oversees the management of those assets through the board's investment management agent, the British Columbia Investment Management Corporation (bcIMC). Diversification of investments is a key principle in the investment policy. Investments are held in a range of asset types (bonds, equities, real estate), industry sectors, and global markets.

For the year ended August 31, 2007, the College Pension Plan investment portfolio earned a strong overall return on investment of 11.3 per cent for the Basic Account.

Equity and real estate markets remained strong most of the year. High commodity prices continued to buoy the Canadian equity market. Bonds provided modest returns to our diversified portfolio. The credit market turmoil that began in July 2007 had little impact on returns through the end of the year (August 31).

Real estate holdings earned 21.5 per cent. Canadian equities generated an 18.9 per cent return, non-North American equities returned 14.8 per cent, and hedged U.S. equities generated 11.8 per cent. With interest rates rising during the year, bond prices fell and fixed income returned just 1.8 per cent. All major categories exceeded their benchmarks, some very significantly (such as real estate: 21.5 per cent vs. the benchmark of 5.8 per cent). The exception was Canadian equities, where active managers continued to underweight the energy and materials sectors. On U.S. equities, much of the above-benchmark return came from hedging the U.S. dollar.

The plan's Basic Account's return exceeded the benchmark return of 8.7 per cent. Over the last five years, the return for the Basic Account was 10.4 per cent annually, and the 10-year annualized rate of return was 7.9 per cent, exceeding the benchmark return for both periods.

Economic conditions in the U.S. have deteriorated over the last year, as the housing slump has deepened. In addition, the credit market turmoil related to excesses in the U.S. mortgage market caused short-term bank liquidity to dry up in August and early September. This produced enough financial distress that central banks in several countries acted quickly to restore liquidity. The likely result will be greater caution and reduced lending by financial institutions in coming months; this typically leads to slower economic growth. Fortunately, growth in the rest of the world is on a relatively sound footing and the corporate sector in most countries is in good financial health, even though profit growth has decelerated. Nevertheless, the

U.S. slowdown, high oil prices and tighter credit are all headwinds that the global economy will encounter over the balance of 2007 and 2008.

In summary, economic and financial market conditions deteriorated as the plan's year drew to a close. Markets are likely to continue to be volatile in coming months, but our investment manager, bcIMC, believes the plan's portfolio is prudently managed, diversified and well positioned to weather further turmoil.

As always, the board will continue to work with bcIMC to ensure our assets remain diversified and that they generate the returns needed at an appropriate level of risk to keep the plan properly funded.

Approved Investment Asset Mix

Strategic and short-term asset allocation targets are set within the ranges in the table below. Short-term debt for asset mix purposes includes government bonds with one- to five-year terms and money market funds.

Basic Account Investment Asset Mix and Performance

as at August 31, 2007

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
Fixed Income	**25–45**			
Short-term	0–10	5.7	3.8	4.4
Mortgages	0–10	4.2	5.2	4.4
Bonds	17–28	21.5	1.6	1.7
Real Return Bonds	0–10	3.7	(2.9)	(5.1)
Equity	**55–75**			
Canadian Equities	10–22	14.5	18.9	19.4
U.S. Equities	10–22	14.7	11.8	9.8
International Equities	10–22	17.7	14.8	14.3
Real Estate	8–15	13.7	21.5	5.8
Private Placements	0–10	4.3	**	**

* Benchmarks are objective standards approved by the board to evaluate actual investment returns.

** Annual rate of return not applicable.

Investment Portfolio

Investments are stated at fair market value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. In the table below, all portfolios are pooled except Real Return Bonds, which is directly held.

For further information on the investment portfolio, visit the British Columbia Investment Management Corporation website at **www.bcimc.com**

Investments Held as at August 31, 2007

	Market Value ($ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	$ 23,673	1.0
Short-term bonds (1–5 years)	105,322	4.5
	128,995	**5.5**
Bonds		
Government	–	–
Universe*	416,311	17.7
Long-term	90,148	3.9
Real Return	85,441	3.6
	591,900	**25.2**
Canadian Equities		
Indexed	214,046	9.1
Actively Managed	126,620	5.4
	340,666	**14.5**
U.S. Equities		
Indexed	215,706	9.2
Actively Managed	128,630	5.5
	344,336	**14.7**
International Equities		
Asia	73,951	3.1
Europe	135,362	5.8
Europe, Australia and the Far East	204,168	8.7
	413,481	**17.6**
Real Estate, Mortgages, Private Placements and Foreign Currency		
Real Estate	320,295	13.6
Mortgages	99,515	4.2
Private Placements	105,719	4.5
Foreign Currency	4,090	0.2
	529,619	**22.5**
Total Investments	**$2,348,997**	**100.0**
2006 Comparison	**$2,087,208**	

* Universe Bonds are comprised of Corporate and Government Bonds.

Investments Held as at August 31, 2007

Top 10 Holdings (Underlying investments are in pooled portfolios.)

Canadian Equities

Company	Market Value ($ Thousands)	% of Total Canadian Equities
Royal Bank of Canada	$ 15,404	4.5
Manulife Financial	14,795	4.4
Suncor Energy Inc	14,237	4.2
Toronto Dominion Bank	13,235	3.9
Bank of Nova Scotia	12,383	3.6
Encana Corporation	12,071	3.5
Power Financial	9,308	2.7
Research in Motion	9,161	2.7
Canadian Natural Resources	7,916	2.3
Canadian National Railway	7,811	2.3
Total Top Ten	**$ 116,321**	**34.1**
Total Canadian Equities	**$ 340,666**	**100.0**

U.S. Equities

Company	Market Value ($ Thousands)	% of Total U.S. Equities
Exxon Mobil Corp	$ 9,095	2.7
General Electric	8,716	2.5
AT&T Inc	6,435	1.9
Microsoft Corp	6,273	1.8
Bank of America	5,981	1.7
Citigroup Inc.	5,835	1.7
Cisco Systems Inc	4,915	1.4
Procter & Gamble	4,287	1.3
Chevron Corp	4,117	1.2
JP Morgan Chase	4,106	1.2
Total Top Ten	**$ 59,760**	**17.4**
Total U.S. Equities	**$ 344,336**	**100.0**

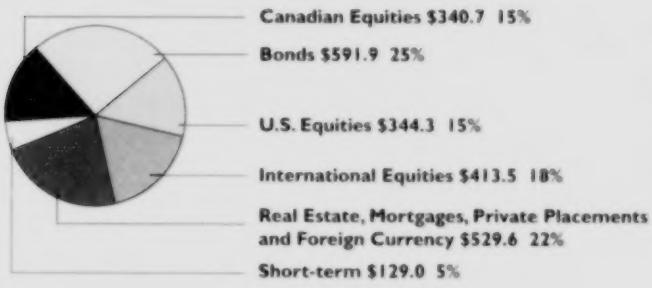
International Equities

Company	Market Value ($ Thousands)	% of Total International Equities
Total	$ 6,395	1.5
Royal Dutch Shell	6,310	1.5
Vodafone Group	4,989	1.2
Nestle SA	4,911	1.2
HSBC Holdings	4,575	1.1
ENI	4,468	1.1
Glaxosmithkline	4,150	1.0
Nokia	4,106	1.0
E.ON AG	4,086	1.0
BP PLC	3,837	0.9
Total Top Ten	**$ 47,827**	**11.5**
Total International Equities	**$ 413,481**	**100.0**

Investments Held as at August 31, 2007

Investment Holdings (Market Value)

$ Millions

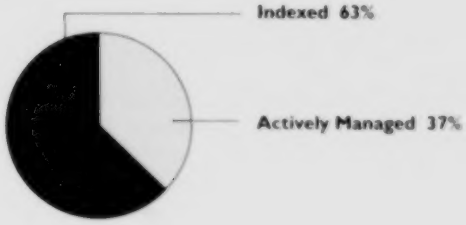

Canadian Equities $340.7 15%
Bonds $591.9 25%
U.S. Equities $344.3 15%
International Equities $413.5 18%
Real Estate, Mortgages, Private Placements and Foreign Currency $529.6 22%
Short-term $129.0 5%

Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite)

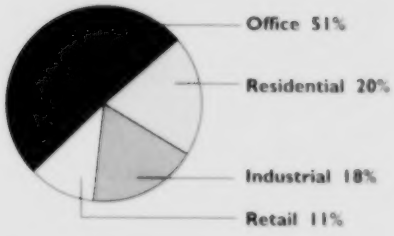
Actively Managed: A portfolio of securities that is designed to outperform a public market index

Canadian Equities (Market Value)

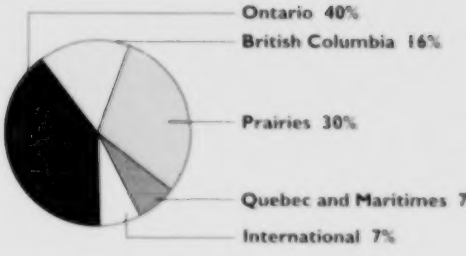
U.S. Equities (Market Value)



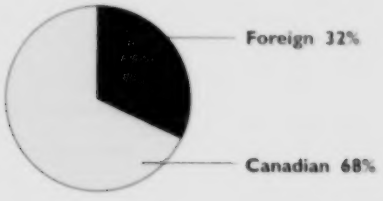
Real Estate, by Type



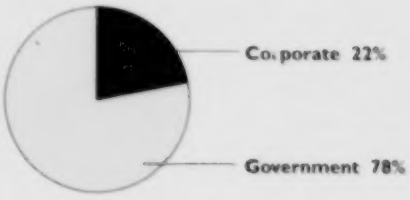
Real Estate, by Location



Foreign Content (Market Value)



Bonds (Market Value)



Investments Held as at August 31, 2007

Canadian Equities, by Sector (%)

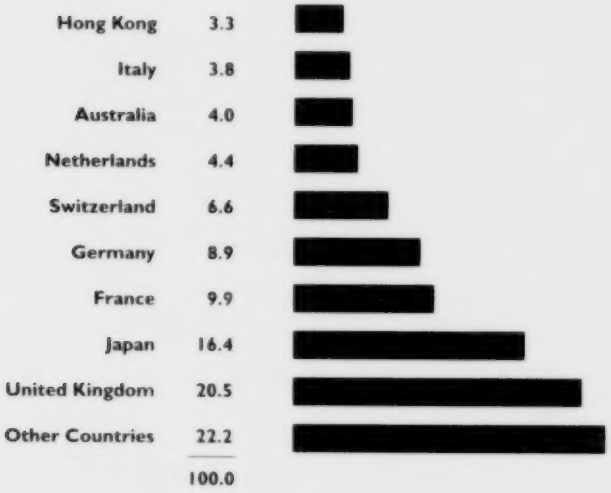
	Indexed	Actively Managed
Health Care	0.6	0.9
Utilities	1.4	1.0
Consumer Staples	2.9	4.6
Information Technology	4.8	5.4
Consumer Discretionary	4.8	7.2
Industrials	6.0	8.3
Telecommunications	6.1	5.3
Materials	17.7	12.6
Energy	23.6	26.4
Financial Services	32.1	28.3
	100.0	100.0

U.S. Equities, by Sector (%)

	Indexed	Actively Managed
Materials	3.2	3.8
Utilities	3.6	2.4
Telecommunications	4.6	2.8
Consumer Staples	9.0	8.1
Energy	9.7	10.6
Consumer Discretionary	9.8	12.6
Health Care	11.0	12.2
Industrials	11.3	10.7
Information Technology	15.8	19.3
Financial Services	22.0	17.5
	100.0	100.0

Investments Held as at August 31, 2007

International Equities, by Country (%)



Investment Performance

Net Earned Rate of the Fund*

Year	%
2007	**10.4**
2006	7.6
2005	3.8
2004	5.0
2003	6.2

* Five-year annualized rate.

Investment Performance

Market Value Rates of Return

Year ended August 31	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks*(%)	
Annual Rates				
2007	**11.3**	**11.5**	**8.7**	
2006	9.5	10.1	8.0	
2005	14.6	14.6	12.7	
2004	10.1	11.0	11.8	
2003	6.9	7.7	7.2	
Five-year Annualized Rates				
2007	**10.4**	**10.9**	**9.6**	
2006	7.6	8.1	7.3	
Ten-year Annualized Rates				
2007	**7.9**	**8.1**	**7.4**	
2006	8.8	9.0	8.5	
2007 Annual Rates by Investment Category				**Basic Account Performance Benchmarks***
Short-term				
Money Market	4.4	4.4	4.4	SCI 91-Day T-Bill
Bonds	3.2	3.2	3.2	SCI Short-term Government Bond
Bonds				
Universe**	1.8	1.8	2.0	SCI Universe Bond
Long-term	0.9	0.9	0.8	SCI Government Long-term Bond
Real Return	(2.9)	(4.3)	(5.1)	SCI Real Return Bond
Canadian Equities				
Actively Managed	18.7	18.7	19.4	S&P/TSX Capped Equity
Indexed	19.8	19.8	19.4	S&P/TSX Equity
Strategic Public Equity	9.3	9.3	19.4	S&P/TSX Equity
Enhanced	20.0	20.0	19.4	S&P/TSX Capped Equity
U.S. Equities				
Actively Managed	10.0	10.0	10.0	R1000
Indexed	9.9	9.9	9.9	S&P 500
Value	10.4	10.4	10.4	S&P/Citigroup Value
Enhanced	9.0	9.0	9.9	R1000/S&P 500
International Equities				
Asia	16.2	16.2	12.4	MSCI Pacific Net
Europe	17.2	17.2	16.7	MSCI Europe Net
Europe, Australia and the Far East	12.8	12.8	13.2	MSCI Europe, Australasia, Far East Net
Real Estate	21.5	21.5	5.8	CPI + 4%
Mortgages				
Fixed-term	4.1	4.1	4.1	SCI Short-term Bond + 1%
Construction	7.1	7.1	5.3	SCI One-year T-Bill + 1%
Specialty	11.4	11.4	6.8	SCI One-year T-Bill + 2.5%

* Benchmarks are objective standards approved by the board to evaluate actual investment returns.

** Universe Bonds are comprised of government and corporate bonds.

Performance Benchmark Indices Abbreviations

CPI	=	Consumer Price Index
MSCI	=	Morgan Stanley Capital International
R	=	Russell
SCI	=	Scotia Capital Inc.
S&P	=	Standard & Poor's
S&P/TSX	=	Standard & Poor's/Toronto Stock Exchange

(Source of annual rates: British Columbia Investment Management Corporation)

Audit Committee

The mandate of the Audit Committee is to act on behalf of and to assist the board to provide for:

- a timely and cost-effective system of accounting and reporting,
- financial statements conforming with generally accepted accounting principles,
- an independent audit of the financial statements, and
- an annual report with audited financial statements.

The committee will accomplish its mandate to provide financial oversight by:

- monitoring and reporting to the board on the integrity of reporting, internal controls, and compliance,
- monitoring and reporting on the independence and performance of the auditors,
- monitoring and reporting on risk management as it affects financial reporting,
- recommending the selection and compensation of external auditors, and
- addressing any matter referred to the committee by one or more of the four boards.

Membership on the committee includes two nominees from each of the boards of the College Pension Plan, the Municipal Pension Plan, the Public Service Pension Plan, and the Teachers' Pension Plan. All nominees must be ratified by all the boards. The committee must include at least two trustees who understand accounting principles (GAAP), internal controls, and audit committee functions. The committee must meet at least three times a year. In addition to providing financial oversight through monitoring and reporting, the committee also evaluates its own performance annually through an established procedure.

Financial Health

Actuarial Valuation

The College Pension Plan is financially sound. The fund holds a diversified portfolio of debt and equity investments that offer consistent and steady performance over the long term.

Every three years, an independent actuary assesses the financial health of the plan's Basic Account and determines whether contribution rates are adequate for funding the plan. The most recent valuation was conducted August 31, 2006. The valuation data indicates that a contribution rate increase of 0.51 per cent of salaries for both employers and members is required to maintain the long-term health of the plan. This rate change was effective September 1, 2007.

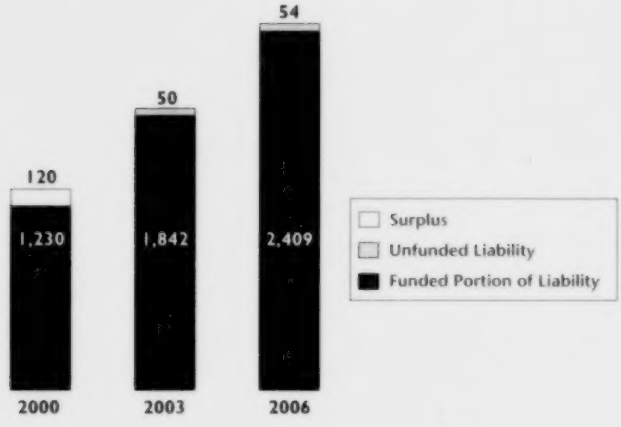
The most recent valuation report is now available on the website at **college.pensionsbc.ca**.

Latest Actuarial Valuation as at August 31, 2006 ($ Millions)

	Net Surplus (Unfunded Liability) Basic Pension Benefits		
	2006	2003	2000
For Funding Purposes*	($54)	($50)	$120
Ratio of Surplus (Unfunded Liability) to Covered Payroll	(9%)	(10%)	32%
For Accounting Purposes to August 31	$59	$122	$262

* Assuming contributions continue at rates in effect at the valuation date
See Note 7 and 8 to the Financial Statements for additional explanation

Funding of the Total Basic Benefit Liability ($ Millions)



An unfunded liability means there is a shortfall between the benefits promised and the assets available to pay for those benefits, whereas a surplus means there are more than enough funds to meet the basic benefits.

Funding Policy

Our goal is to ensure the financial health and stability of the pension plan now and in the future. We must make sure that the basic guaranteed pension benefit is funded in order to meet the pension promise for current and future retired members. We must also balance the funding available for inflation protection against the increasing cost of non-pension post-retirement group benefits. The funding policy sets guidelines and policies for the guaranteed basic pension benefits, inflation protection (not guaranteed) and non-pension benefits (not guaranteed), and guides us in maintaining a balance between benefits and assets in the plan.

The intent of the policy is to provide fairness in costs and benefits to all plan members, regardless of your stage of plan membership, and to prevent sudden contribution rate increases in the future. While the policy reflects the intentions of the board, it is subject to restrictions imposed by the plan partners and must comply with relevant pension and tax rules.

If the plan has a shortfall between the guaranteed basic pension benefits promised and the assets available to pay for those benefits, the plan has an unfunded liability. In such cases, the funding policy directs us to increase contribution rates to eliminate the unfunded liability. If the plan has more than enough funds to pay the guaranteed basic pension benefits, the plan has a surplus. In such cases, we must use the surplus to ensure that contribution rates for employers and members remain stable for the long term. Other benefit improvements can then be considered.

Future inflation indexing and non-pension post-retirement group benefits are not part of the basic pension benefit, and are not guaranteed.

For inflation protection, the board's overall intent is to stabilize the inflation indexing for a long period of time. The board annually reviews the funding status of the Inflation Adjustment Account, and if it appears that full indexing cannot be provided for the long term, the board may consider providing less than full indexing sooner, rather than continuing full indexing in the short-term and then suddenly and dramatically reducing it. This spreads the indexing available over the long term so that current and future retired members receive some level of inflation protection on an equitable basis.

For non-pension post-retirement group benefits, which are not guaranteed, the funding policy sets a maximum amount (currently one per cent of active member payroll) that is available each year. The board cannot spend more than the one per cent, and can only use employer contributions to pay for these benefits.

The funding policy is a fundamental principle of our ongoing assessment of the financial health of the pension plan.

Five-year Financial Summary

$ Thousands For the year ended August 31	2007	2006	2005	2004	2003
Increase in Assets					
Investment Income (Loss)*	**$240,998**	$183,075	$238,363	$148,718	$95,110
Contributions					
Employers	**49,179**	44,217	45,280	32,032	37,602
Members	**49,165**	44,315	45,277	32,014	37,982
Transfers from Other Plans	**13,634**	11,610	10,517	13,023	40,609
Total Increase in Assets	**352,976**	283,217	339,437	225,787	211,303
Decrease in Assets					
Pension Benefits	**60,776**	53,427	46,017	40,259	34,531
Termination and Refund Benefits	**10,856**	9,514	7,355	4,531	2,864
Transfers to Other Plans	**3,327**	2,420	4,301	1,928	1,614
Retired Member Group Benefits	**3,685**	3,066	2,646	2,791	3,094
Investment and Administration Costs*	**5,191**	4,304	3,744	3,640	3,055
Total Decrease in Assets	**83,835**	72,731	64,063	53,149	45,158
Increase in Net Assets	**269,141**	210,486	275,374	172,638	166,145
Net Assets Available for Benefits at Beginning of Year	**2,089,804**	1,879,318	1,603,944	1,431,306	1,265,161
Net Assets Available for Benefits at End of Year	**$2,358,945**	2,089,804	$1,879,318	$1,603,944	$1,431,306
Investment and Administration Costs*		**As a Percentage of Net Assets**			
Investment Management*	**0.21%**	0.20%	0.16%	0.16%	0.13%
Administration	**0.09%**	0.10%	0.10%	0.11%	0.12%

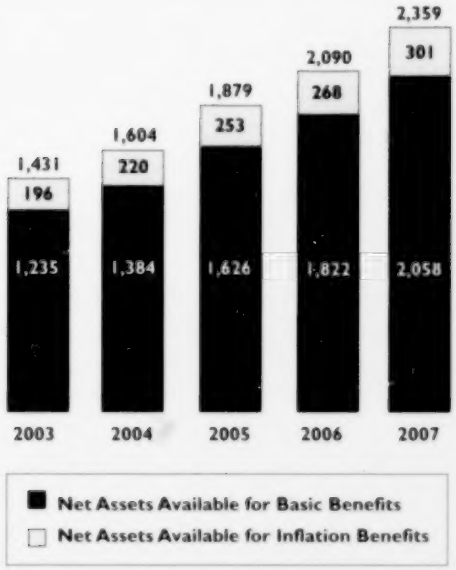
* External investment management costs incurred in the investment pooled funds by wholly owned corporations of $2.1 million (2006—$1.9 million; 2005—$1.1 million; 2004—$0.6 million; 2003—$0.5 million) are not included in investment and administration costs, but are included in investment management costs as a percentage of net assets.

Net Assets Available for Benefits

The plan rules set up a financial structure of two accounts that hold assets. The Basic Account serves to pay the guaranteed (defined) pension benefits. The Inflation Adjustment Account provides a non-guaranteed cost-of-living supplement to the extent that funds are sufficient.

The following bar chart shows a five-year comparison of net assets in the basic and inflation adjustment accounts.

Net Assets Available for Benefits ($ Millions)



Financial Statements

PENSION
CORPORATION

Executive
Offices

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Victoria BC
V8W 9V8

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250 387-8208
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250 953-0429

COLLEGE PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the College Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Pension Corporation), the administrative agent for the College Pension Board of Trustees (Board) of the Plan. The Board is responsible for having annual financial statements prepared in accordance with generally accepted accounting principles. The Pension Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the College Pension Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Pension Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of PricewaterhouseCoopers LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

RON MILLARD, FCGA
Director, Finance
British Columbia Pension Corporation

LOUISE YOUNG, CA
A/Chief Financial Officer
British Columbia Pension Corporation

January 15, 2008

PRICEWATERHOUSECOOPERS

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January 15, 2008

Auditors' Report

To the Members of the
College Pension Plan

We have audited the statement of net assets available for benefits of the **College Pension Plan** as at August 31, 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the board of trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at August 31, 2007 and the results of its operations and its changes therein for the year 2007 then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at August 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated December 1, 2006.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

College Pension Plan

COLLEGE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

As at August 31	2007	2006
ASSETS		
Investments (Note 3)	$ 2,348,997	$ 2,087,208
Receivables		
Members' contributions	1,896	1,753
Employers' contributions	2,020	1,836
Accrued investment income	722	700
Due from sale of investments	12,000	645
	16,638	4,934
Prepaid expenses	352	330
Cash	468	124
Total Assets	2,366,455	2,092,596
LIABILITIES		
Payable for purchase of investments	5,779	1,239
Accounts payable and accrued expenses	1,731	1,553
Total Liabilities	7,510	2,792
NET ASSETS AVAILABLE FOR BENEFITS	$ 2,358,945	$ 2,089,804

All accompanying notes are an integral part of these financial statements including:

- Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
- Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
- Commitments (Note 11)

Dominique Roelants,
Chair, College Pension Board of Trustees

John Wilson,
Trustee,
College Pension Board of Trustees

Barry Bompas,
Trustee,
College Pension Board of Trustees

College Pension Plan

COLLEGE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended August 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2007	Totals 2006
INCREASE IN ASSETS					
Investment income (Note 4)	$ 209,819	$ 31,179	$ -	$ 240,998	$ 183,075
Contributions (Note 5)					
Members'	42,615	6,533	17	49,165	44,315
Employers'	42,405	2,803	3,971	49,179	44,217
	85,020	9,336	3,988	98,344	88,532
Transfers from other plans	10,105	3,529	-	13,634	11,610
Total Increase in Assets	304,944	44,044	3,988	352,976	283,217
DECREASE IN ASSETS					
Pension benefits					
Contributory	53,757	-	164	53,921	47,211
Indexing supplements	6,849	-	6	6,855	6,216
	60,606	-	170	60,776	53,427
Termination and refund benefits	6,290	4,483	83	10,856	9,514
Transfers to other plans	2,437	890	-	3,327	2,420
Retired member group benefits (Note 10)	-	-	3,685	3,685	3,066
Investment and Administration costs (Note 9)	4,753	388	50	5,191	4,304
Total Decrease in Assets	74,086	5,761	3,988	83,835	72,731
INCREASE IN NET ASSETS BEFORE TRANSFERS	230,858	38,283	-	269,141	210,486
Account transfers (Note 6)	4,715	(4,715)	-	-	-
INCREASE IN NET ASSETS	235,573	33,568	-	269,141	210,486
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	1,821,975	267,829	-	2,089,804	1,879,318
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 2,057,548	$ 301,397	$ -	$ 2,358,945	$ 2,089,804

Supplemental Benefits Account (Note 10)

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

1. DESCRIPTION OF THE COLLEGE PENSION PLAN

The College Pension Plan (Plan) is a jointly trusteed pension plan governed by Schedule A of the *Public Sector Pension Plans Act* of British Columbia (Act) and the College Pension Plan Regulation (the "pension plan rules"). Joint trusteeship was established effective April 1, 2000 with the agreement of the Provincial Government, the Post Secondary Employers' Association, the Federation of Post Secondary Educators of B.C. and the B.C. Government and Service Employees' Union (Partners).

Schedule A of the Act describes the composition, appointment, powers, functions and duties of the College Pension Board of Trustees (Board) and provides authority for the Board to make Plan rules. The following brief description of the Plan is provided for general information only. For more information refer to the Act and the Regulation.

a) General

The Plan is for senior administrative employees and faculty members of British Columbia colleges. For employees hired on or after September 1, 1999, all full-time and some part-time senior administrative employees and faculty are required to participate; certain part-time staff may do so voluntarily.

b) Roles and Responsibilities

The Board of Trustees
The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Board consists of up to eleven members. The Partners appoint ten members representing Plan members and Plan employers. The trustees appoint the chair. The Board is fully responsible for the management of the Plan, including the investment of the assets and the administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the Plan. Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes can only be initiated by the Partners.

British Columbia Pension Corporation (Pension Corporation)
The Pension Corporation provides benefit administration services as an agent of the Board.

British Columbia Investment Management Corporation (bcIMC)
bcIMC provides investment management services as an agent of the Board.

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

c) Contributions

Basic Account
Members contributed to the Basic Account 6.86% (7.37% effective September 1, 2007) of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($43,700 in 2007) and 7.61% (8.12% effective September 1, 2007) of salaries over the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 5, 7 & 10).

Employer contributions to the Basic Account match those for members, less amounts allocated to the Supplemental Benefits Account (Notes 5 & 10).

Inflation Adjustment Account and Supplemental Benefits Account
Members contribute 1.09% of salaries to the Inflation Adjustment Account (IAA). Employers contribute 1.09% of salaries to the IAA less amounts allocated to the Supplemental Benefits Account (Notes 5 & 10).

d) Pension Benefits

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.7% of pensionable earnings up to the YMPE, and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's highest five-year average salary (HAS).

The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.3% of the lesser of YMPE or HAS.

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, subject to availability of funds in the Inflation Adjustment Account (Note 6 and Note 7b).

At January 1, 2007 retired members received a full CPI increase of 0.7% (2006: 3.4%).

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

e) Termination and Portability Benefits

A terminating member, who has not yet reached the earliest retirement age, may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements or if under 60 with less than two years of contributory service, may choose a refund of contributions with interest.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada), except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the trustees of the Plan. It does not purport to show whether these assets are adequate to meet all the obligations of the Plan. The actuarial valuation of the Basic Account for funding purposes is included in Note 7.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Where available, fair values of these assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The fair value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder. The current period change in fair value includes realized and unrealized gains and losses which are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date. Income and expenses from derivative contracts are recognized on the accrual basis. Gains and losses on derivative instruments are recognized concurrently with changes in their fair values.

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial position of the Basic Account. Actual results could differ from those estimates.

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

3. INVESTMENTS (FAIR VALUE)

	2007			2006
	Basic Account	Inflation Adjustment Account	Total	Total
	($ Thousands)			
Short-term	$ 116,608	$ 12,387	$ 128,995	$ 102,348
Canadian Bonds	516,455	75,445	591,900	553,861
Canadian Equities	296,816	43,850	340,666	310,574
U.S. Equities	300,366	43,970	344,336	328,887
International Equities	360,652	52,829	413,481	391,993
Foreign Currency	3,553	537	4,090	3,870
Mortgages	86,820	12,695	99,515	79,125
Real Estate	279,447	40,848	320,295	248,604
Private Placements	88,720	16,999	105,719	67,946
	$ 2,049,437	$ 299,560	$ 2,348,997	$ 2,087,208

Plan investments consist primarily of direct ownership in units of pooled investment portfolios managed by bcIMC. Each unit gives the holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with maturities of 15 months or less, and short-term bonds with one to five year terms. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares and, in the case of international equities, refer to investments in the markets of Europe and Asia, as well as key emerging markets. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of foreign currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. Real estate investments are valued quarterly by bcIMC's external real estate investment managers and, at least once every 10 to 18 months, by accredited independent appraisers to establish current market values. Private placements are valued annually based on audited financial statements from private placement external managers.

3. INVESTMENTS (FAIR VALUE) (continued)

Derivative contracts are held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates.

Basic Account Canadian Bonds of $2.2 million (2006: $1.6 million) are being held in a collateral account for a future investment opportunity (Note 11).

4. INVESTMENT INCOME

	2007			2006
	Income Allocation	Current Period Change in Fair Value	Total	Total
	($ Thousands)			
Basic Account				
Short-term	$ 3,994	$ (338)	$ 3,656	$ 2,044
Canadian Bonds	22,981	(18,737)	4,244	13,978
Canadian Equities	5,595	44,121	49,716	40,411
U.S. Equities	9,683	25,267	34,950	11,110
International Equities	10,614	42,088	52,702	43,723
Foreign Currency	152	153	305	109
Mortgages	3,694	370	4,064	3,040
Real Estate	5,513	46,194	51,707	41,130
Private Placements	1,134	7,341	8,475	2,631
	$ 63,360	$ 146,459	$ 209,819	$ 158,176
Inflation Adjustment Account				
Short-term	$ 531	$ 25	$ 556	$ 290
Canadian Bonds	3,217	(2,786)	431	1,928
Canadian Equities	812	6,414	7,226	6,148
U.S. Equities	1,404	3,673	5,077	1,611
International Equities	1,542	6,266	7,808	6,640
Foreign Currency	23	24	47	16
Mortgages	516	68	584	417
Real Estate	528	6,735	7,263	6,574
Private Placements	616	1,571	2,187	1,275
	$ 9,189	$ 21,990	$ 31,179	$ 24,899
Total Investment Income	$ 72,549	$ 168,449	$ 240,998	$ 183,075

4. INVESTMENT INCOME (continued)

Investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

5. CONTRIBUTIONS

	2007				2006
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
	($ Thousands)				
Members' contributions					
Regular	$ 40,226	$ 6,161	$ 17	$ 46,404	$ 42,867
Arrears	160	25	-	185	157
Purchase of service	1,718	267	-	1,985	853
Leave of absence	476	75	-	551	337
Reinstatement	35	5	-	40	101
	$ 42,615	$ 6,533	$ 17	$ 49,165	$ 44,315
Employers' contributions					
Regular	$ 40,005	$ 2,428	$ 286	$ 42,719	$ 39,801
Arrears	211	34	-	245	149
Purchase of service	1,719	267	-	1,986	855
Leave of absence	470	74	-	544	346
Supplemental benefits	-	-	3,685	3,685	3,066
	$ 42,405	$ 2,803	$ 3,971	$ 49,179	$ 44,217
Total Contributions	$ 85,020	$ 9,336	$ 3,988	$ 98,344	$ 88,532

Member and employer contributions are as defined under the Plan rules.

6. ACCOUNT TRANSFERS

	2007		2006	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	($ Thousands)			
Present value of current indexing supplements	$ 3,849	$ (3,849)	$ 15,960	$ (15,960)
Indexing of deferred pensions	866	(866)	1,017	(1,017)
Excess Interest	-	-	-	-
	$ 4,715	$ (4,715)	$ 16,977	$ (16,977)

6. ACCOUNT TRANSFERS (continued)

The Inflation Adjustment Account (IAA) is a separate account that is maintained for funding current and future indexing supplements. The IAA is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is transferred from the IAA to the Basic Account.

There have been no excess interest transfers to the IAA for the years ended August 31, 2002 through 2007. Excess interest is based on investment income earned on Basic Account assets required for pensions currently being paid, approximately $643 million of assets for 2007 (2006: $542 million). The excess interest rate of return is determined by taking the difference between the actual five-year annualized market rate of return (10.4%) and the rate of return used by the actuary (6.75%) in valuing the Plan's liabilities. The calculated excess interest rate of return for 2007 was 3.65% (2006: 0.4%) resulting in a positive excess interest amount of $23.5 million (2006: $2.2 million). The cumulative negative excess amount of $17.2 million will be offset against future positive excess interest amounts before positive excess interest transfers will resume.

	2007	2006
	($ Millions)	
Cumulative negative excess interest, beginning of year	$ (36.8)	$ (36.2)
Interest applied to beginning of year amount	(3.9)	(2.8)
Excess interest	23.5	2.2
Cumulative negative excess interest, end of year	$ (17.2)	$ (36.8)

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and accrued benefit obligations to the financial statement date, and contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

a) Basic Account (continued)

The most recent full valuation for funding purposes was prepared as at August 31, 2006. The valuation disclosed an unfunded actuarial liability (UAL) for basic pension benefits of $54 million (2003: $50 million UAL) assuming future contributions at rates in effect at the valuation date.

The following long-term actuarial assumptions were used:

- annual investment return 6.75% (2003: 7.2%)
- annual salary escalation rate 4.00% (2003: 4.7%)

The main changes between the 2003 and 2006 valuation are as follows:

	($ Millions)
Unfunded actuarial liability as at August 31, 2003	$ (50)
Interest on unfunded liability	(12)
Investment income lower than actuarial rate of return	(63)
Changes in valuation assumptions	(99)
Contributions below normal cost for new entrants	(3)
Withdrawals at higher rate than assumed	14
Salary increases lower than assumed	62
Contribution rate increases	79
Other actual experience different than expected	18
Unfunded actuarial liability as at August 31, 2006	$ (54)

The next full valuation will be as at August 31, 2009, with results available for the August 31, 2010 financial statements.

Based on the results of the 2006 actuarial valuation, the actuary determined that an increase in contribution rates was necessary for the Plan to maintain its proper funding. Therefore, the trustees decided that, effective September 1, 2007 member and employer basic contribution rates will each increase by 0.51% of salaries, as recommended by the actuary (Note 1c).

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that granted indexing, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential indexing.

The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefit costs. This sensitivity analysis assists the Board to identify scenarios some years in advance of their possible occurrence, and if it appears that full indexing cannot be provided for at least the next 20 years, the Board may consider providing less than full indexing sooner. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes as described in Note 7a.

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the present value funding necessary for the indexing granted. Therefore accrued basic pension benefits for valuation purposes includes the liability for all indexing granted to the date of the valuation, but not for as yet unknown future indexing.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

The latest full valuation was made as at August 31, 2006 by Eckler Ltd. The results were as follows:

As at August 31	2006	2003
	($ Millions)	
Net assets available for basic pension benefits	$ 1,822	$ 1,235
Five-year market value smoothing adjustment	(152)	81
Net actuarial assets for basic pension benefits	1,670	1,316
Liability for accrued basic pension benefits	1,611	1,194
Actuarial Surplus	$ 59	$ 122

The next full actuarial valuation will be at August 31, 2009 for inclusion in the August 31, 2010 financial statements.

The liability for accrued basic pension benefits at the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to August 31, 2007, using the following long-term actuarial assumptions:

- annual investment return 6.75%
- annual salary escalation rate 4.00%

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

On this basis, the extrapolated value of the surplus at August 31 is as follows:

Extrapolated Actuarial Assets Available for Basic Pension Benefits As at August 31	2007	2006
	($ Millions)	
Extrapolated actuarial assets, beginning of year	$ 1,734	$ 1,579
August 31, 2006 valuation adjustment	(64)	-
Extrapolated actuarial assets, beginning of year	1,670	1,579
Account transfers	5	17
Current year contributions	85	77
Net transfers from other plans	8	7
Pension, termination and refund benefits	(69)	(61)
Interest accrued on assets	113	115
Extrapolated actuarial assets, end of year	$ 1,812	$ 1,734

Extrapolated Actuarial Liability for Accrued Basic Pension Benefits As at August 31		
Extrapolated actuarial liability, beginning of year	$ 1,614	$ 1,465
August 31, 2006 valuation adjustment	(3)	-
Extrapolated actuarial liability, beginning of year	1,611	1,465
Account transfers	5	17
Current period benefit cost	90	79
Net transfers from other plans	8	7
Pension, termination and refund benefits	(69)	(61)
Interest accrued on liability	110	107
Extrapolated actuarial liability, end of year	$ 1,755	$ 1,614
Extrapolated Actuarial Surplus, August 31	$ 57	$ 120
Fair value of Basic Account net assets available for benefits	$ 2,058	$ 1,822
Fair value changes not reflected in extrapolated assets	(246)	(88)
Extrapolated actuarial assets	$ 1,812	$ 1,734

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

Extrapolations may not be reliable indicators of the next valuation results, nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

9. INVESTMENT AND ADMINISTRATION COSTS

	2007	2006
	($ Thousands)	
Investment Management	$ 2,998	$ 2,236
Benefit Administration	1,548	1,539
Board Remuneration and Expenses	190	155
Board Secretariat Costs	206	190
Other Professional Services	249	184
	$ 5,191	$ 4,304

bcIMC and the Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards.

Costs for investment management services charged by bcIMC include costs for recovery of its internal and external investment management fees, except those external management fees related to corporations wholly owned by the investment pooled funds.

Investment management costs of $2.1 million (2006: $1.9 million), representing the external management costs incurred by wholly owned corporations of the investment pooled funds, are not included in the above amount.

Benefit administration costs represents amounts charged to recover benefit administration costs incurred by the Pension Corporation. These costs are approved by the Board. Included in accounts payable is $78 thousand (2006: $120 thousand) due to the Pension Corporation for those costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional service costs include actuarial, insurance, audit and legal fees.

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act* (Canada) limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through this account. The availability, type and level of retired member group benefit coverage are contingent upon the availability of funding for such benefits.

To the extent that group benefits are funded from the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer inflation contributions and cannot exceed 1% of pensionable salaries. Currently this represents approximately 91.7% of contributions that would otherwise be employer inflation contributions. Retired member group benefit costs (shown on the Statement of Changes in Net Assets Available for Benefits) represent group benefit costs paid by the Plan, less any premiums paid by retired members.

11. COMMITMENTS

The Plan participates in private placement and international real estate pools that are managed by bcIMC. As at August 31, 2007, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $109.6 million (2006: $103.5 million).

In July 2005, bcIMC established a collateral account pledged as security for a future investment opportunity that will not be funded until 2009. As at August 31, 2007, $2.2 million of Basic Account Canadian Bonds are being held as collateral for an investment commitment of $1.2 million.

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable, and accrued expenses. The fair values of these financial instruments approximate their carrying values.

The Board approves the long-term asset mix policy for investment assets through its Statement of Investment Policies and Procedures and oversees the management of these assets through the Board's investment management agent, bcIMC.

12. FINANCIAL INSTRUMENTS (continued)

Fair values of investments are exposed to price risk and credit risk. Price risk is comprised of foreign currency risk, interest rate risk, and market risk. Foreign currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Foreign Currency Risk

Foreign currency exposure arises from foreign currency denominated investments and related derivative contracts held indirectly through pooled investment portfolios. Foreign currency forward contracts are used to manage a portion of the currency exposure. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate.

Interest Rate Risk

The value of the Plan's assets is affected by changes in interest rates and their effect on capital markets. Actuarial liabilities are affected by changes in long-term market interest rates.

Market Risk

Market risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on fixed income instruments.

Credit Risk

bcIMC limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher as rated by the Dominion Bond Rating Service or equivalent.

College Pension Plan

This is a publication of the
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98-044 CPP AR 2008.04.22 QPR102540